

Statement of Practice (SP 8/11)

Computation of CSR Fund

Section 50L of the Income Tax Act has been amended through the Finance Act 2011 whereby companies are required in a year to set up their CSR Fund of an amount equivalent to 2% of their chargeable income for the preceding income year. Prior to the amendment the CSR Fund was to be created on basis of book profit of the companies. The amendment is effective in respect of income year commencing 1 January 2012 and in respect of every subsequent year.

2. Where the accounting year of a company ends on 31 December, the company will have to set up its CSR Fund for income year 2012 on basis of its chargeable income for the preceding income year 2011. In other words, the company will have to remit to the MRA in its annual return for income year 2012 any amount remaining unspent on CSR activities at the end of the income year 2012.

3. For companies that have an accounting year ending on a date other than 31 December, it is first important to determine to which income year the accounting year end belongs by reference to section 118A.

4. Thus, an accounting year ending on 30 September 2012 falls in the income year 2012. The company will have to set up its CSR Fund in the income year 2012 on basis of its chargeable income for the income year 2011. Since it will already have set up its CSR Fund at the start of the income year 2012 (i.e. on 1 October 2011) on the basis of its book profit, as required by law prior to the amendment, the company will have to bring the necessary adjustment to its CSR Fund to an amount equivalent to 2% of its chargeable income for the income year 2011.

5. Where a company closes its accounts on 30 June, it is the accounting year ending on 30 June 2013 that falls in the income year 2012. Thus, the CSR Fund for accounting year ending on 30 June 2013 to be set up on 1 July 2012 will be based on the chargeable income of the company for the income year 2011, i.e. accounting year ending on 30 June 2012.

6. Some examples showing the date for the setting up of CSR Fund on the new basis for different accounting year ends are given below.

Accounting year ending	Date for setting up of CSR Fund on new basis
31 December	1 January 2012
31 March	1 April 2012
30 June	1 July 2012
30 Sept	1 October 2011
30 November	1 December 2011

27 December 2011